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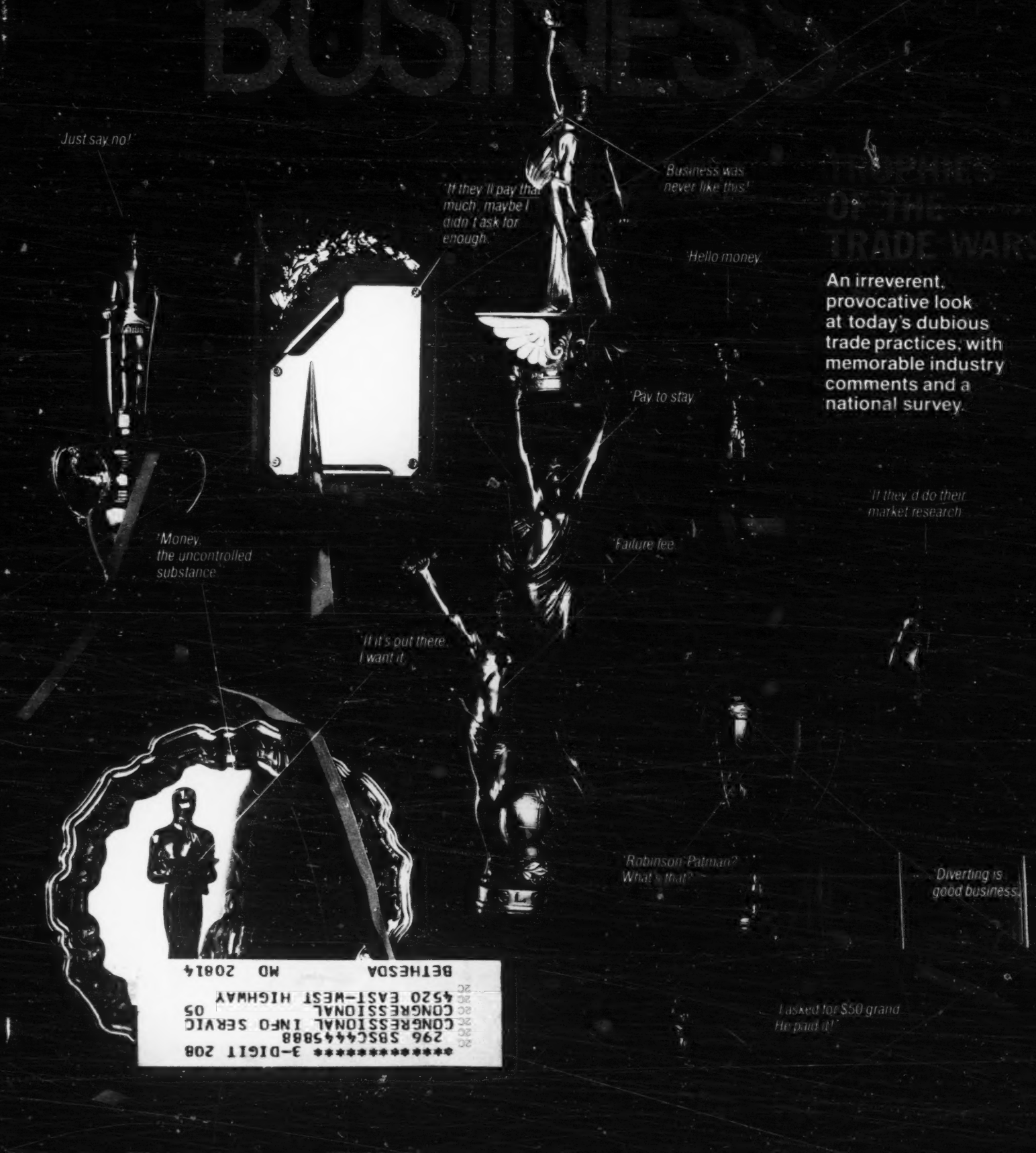
VOLUME 45 NUMBER 5
MAY 1990

SUPERMARKET BUSINESS

OF THE TRADE WAR

An irreverent, provocative look at today's dubious trade practices, with memorable industry comments and a national survey.


'Just say no!'
'If they'll pay that much, maybe I didn't ask for enough.'
'Business was never like this!'
'Hello money.'
'Pay to stay.'
'Money, the uncontrolled substance.'
'If they'd do their market research.'
'Failure fee.'
'If it's out there, I want it.'
'Robinson-Patman? What's that?'
'Diverting is good business.'
'I asked for $50 grand. He paid it!'
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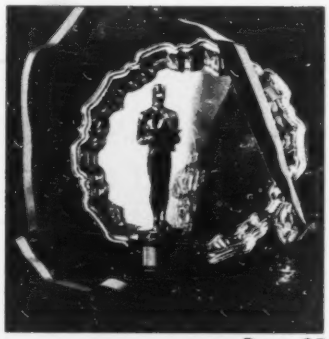
SUPERMARKET BUSINESS

MAY 1990 VOLUME 45/NUMBER 5

FEATURES



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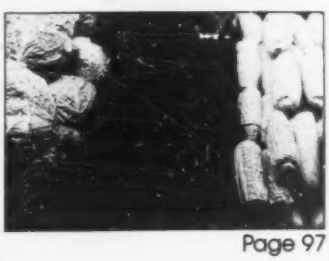

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Just four years ago, there was almost no public discussion of some of the real trade practices that many felt were threatening the very future of the grocery industry. Today, retailers, wholesalers and manufacturers alike were not only willing but eager to speak openly. Here's what they said in response to our exclusive survey.

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LISTENING WITH THE THIRD EAR

Ken Partch, Editor-in-Chief

Some of the things I read and hear in this business these days, I don't know quite what to make of, if taken literally. I feel that there must be something there that escapes ordinary semantics and logic.

Like trying to see with the third eye, as they say in some circles, I am going to try listening with the third ear. Take, for example, a speech that a grocery wholesaling executive made recently at an industry dinner. Since I can't reach him for confirmation that he actually said what I read, I will keep his remarks anonymous—at least in this publication.

The executive allegedly stated the following: "There has been a lot of controversy lately concerning slotting allowances and the so-called demands put on manufacturers by the retailers, but in fact, a true audit would probably reveal that the funds [for allowances] are inadequate."

He then went on to explain (according to the article I am reading) that the slotting allowance covers many costs "including warehousing, transporting, stocking, altering scan files, shelf realignment, merchandising product without manufacturer's support and discontinuing deleted items."

That being said, here's the part I find really baffling: "And what about lost sales," he goes on "from those items we discontinue to make room for the new item? In some categories we are discontinuing items moving a case to a case-and-a-half a week per store to make room for that new item."

This is where I begin to lose contact with the ordinary meaning of words. This man must be saying something, but what is it? If an item is moving at the rate of a case-and-a-half a week, why in the world would you remove it? There can be only one reason—the item has a very low margin. And if it does, how can he be losing all this money?

Since there are not that many items that move, on average, a case or more a week—only some 450 dry grocery items move that fast—this man is talking about a fast mover. What he is saying is that he is going to take a chance on not carrying this particular size or flavor in this category and hope that he can get away with it, and not do too much damage.

In the meantime, he is able to pick up the sure-thing slotting allowance that is being offered. Our buyer is taking the chance that this is a *substitutable* item. But keep this up and the store might become half full of substitutable items,

The important question is: If money spent on slotting allowances is not new money, then is this the best use of this money?

or half empty of the things the customer wants. Then he may find out that *stores* are also *substitutable*.

We heard of an example very recently where a well-known New England chain turned down a very good new product because the manufacturer refused to pay a slotting allowance. The company does pay introductory allowances, and this product had one.

A competitor knew about the product, having just come from a western market where the product had done well. In fact, he had sold 50,000 cases of it out there. He took on the product in his new job, and had an exclusive for some 10 weeks. We are beginning to hear other stories like this as the Great Slotting Allowance Era moves forward.

But let's go back to our first merchandising wizard. He wants the slotting allowance to cover warehousing, transportation, shelf stocking, and so on, and so on. And I ask: What does he think he gets 19 percent gross margin at the store for, and another 6 or 7 percent at the warehouse? Doesn't this cover the cost of doing business and more?

Another chain executive makes the point that the slotting allowance does not represent any new money being put into the system. That it is all sales promotion money on the part of the manufacturer. Let's assume, for the moment, that that is true. We then have to ask: Is this the most productive use of this money?

Let's look at the system as a single, closed system. All we want to do is procure product and move it into the hands of the consumer. We will pay only for those services we need to pay for, and only for those services that add value in any way.

We would then have to follow how each and every item moves from research and development into production and then into the distribution system. Then we need to examine how it is advertised and promoted, and how these costs are applied to the shelf price.

Supposedly, total dollars spent for sales promotion in the grocery industry are now double that of total dollars spent on consumer advertising. True or not, it still begs the question: Is this the most productive use of this money—*your money and my money?* Because ultimately there is only one source for this money—*the consumer.*

It is tempting to try to move toward a system of no-risk wholesaling and retailing, but there is a danger. Slotting allowances are not new. I can think of chains that excelled in the art of extracting all that the traffic would bear. Curiously, most are no longer with us.

SUPERMARKET BUSINESS

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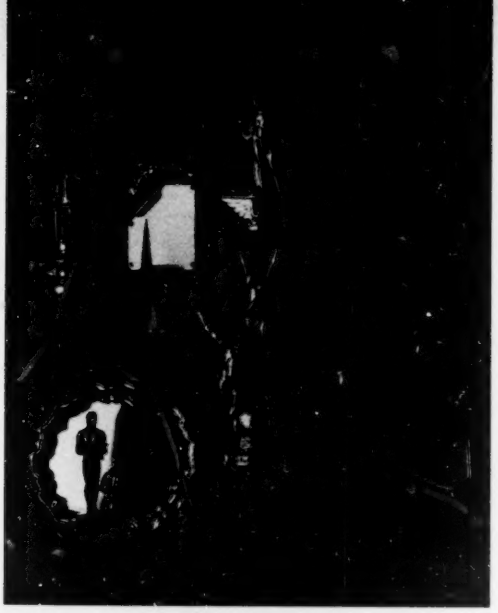


TROPHIES OF THE TRADE WARS

Just four years ago, there was almost no public discussion of some of the real trade practices that many felt were threatening the very future of the grocery industry.

Two years ago, we found only three people who would talk to us for the record: one manufacturer, one food broker and one diverter (who, incidentally, was making a public stock offer).

Today, people in all segments of the industry are willing—even eager—to speak openly. The question is whether we can repair what damage has been done and is still being done to the buyer/seller relationship.

One expression we heard again and again was: "We've got to get backing to trusting one another."

BY KEN PARTCH

There is a story making the rounds of the grocery industry that may or may not be true. It is usually attributed to an Eastern grocery buyer, either named or unnamed, and goes like this:

"I really didn't want this new product, but I didn't want to hurt this guy's feelings because I've known him a long time. So I asked for this ridiculously high slotting allowance, [usually, the number given is $25,000 or something like that] thinking he would never pay it, and that would be that. But to my surprise," the buyer continues, "the guy agrees to pay it. Now I am starting to think, my god! I didn't have any idea how much money there was out there to get. Now I am thinking that maybe I didn't ask for enough."

When stories like this begin to emerge within an industry, we know that we have entered a period of profound interaction of powerful forces—of folklore, and myth-making. This period will undoubtedly be remembered as the time of The Great Slotting Allowance Charges. People will recall it in speeches and write articles and books.

Much has already been written in business journals from this publication to *The Wall Street Journal*, *Ad Age* and *Ad Week*. But nobody, until now, has attempted to put a measure on what is actually being charged, what should be charged, what is considered "fair," and what is not.

For these reasons, SUPERMARKET BUSINESS has conducted the first, modern, slotting allowance survey of the three major segments of the industry: retailer, wholesaler and manufacturer. We did not ask food brokers because we decided that this would be unfair, since food brokers are really agents of the manufacturers they represent.

The survey questions are stated as flat opinions in most cases that are known to be believed by one segment of the industry about another. Each segment was given the opportunity to agree or disagree with each statement or question, and to a greater or lesser degree. The intent in this survey is to learn how each segment *perceives* the other—not to find an objective truth—since the subjective attitudes toward one another are extremely important. The survey questionnaires were sent to 653 supermarket operators of various size, 50 full-line

grocery wholesalers and 91 manufacturers. SUPERMARKET BUSINESS received 124 replies by April 4, 1990, the date we set for tabulating the results. To date, SB has received 162 replies, which as a percentage of response is very high for this kind of survey. Obviously, the issues raised in this survey are of great importance to the industry.

SUPERMARKET BUSINESS also conducted numerous inteviews to learn, in detail, how many of you feel about today's buyer/seller relationship. We regret that we could not reach all of you who wished to respond. But time and space simply would not allow it. We thank you all. (Incidentally, we received only one response that questioned the importance of the issues raised.)

Manufacturers are flooding the market with too many new products that are not really new or have not been properly market-tested.

"We're looking pretty hard at what we're doing to make sure that the items have a place in the market. We don't offer line extensions anymore. It cost too much to do that. It's too expensive. And that's true of most of the big manufacturers. Retailers have to look at a new product and ask: 'What have these people done? Who is the company? What's the reputation of the company?'

"Some manufacturers do offer too many 'me too' new products, but retailers and wholesalers have to learn to just say no to products that won't sell. But the industry needs good new products. Right now, we're introducing a lot of microwaveable products because that's where the industry is right now. We've seen it happen where we might refuse to pay a slotting allowance, and the retailer won't take the product, then in a few months we get an order, because everybody else has it."

Jim Keller
Director of Sales Development
General Foods USA

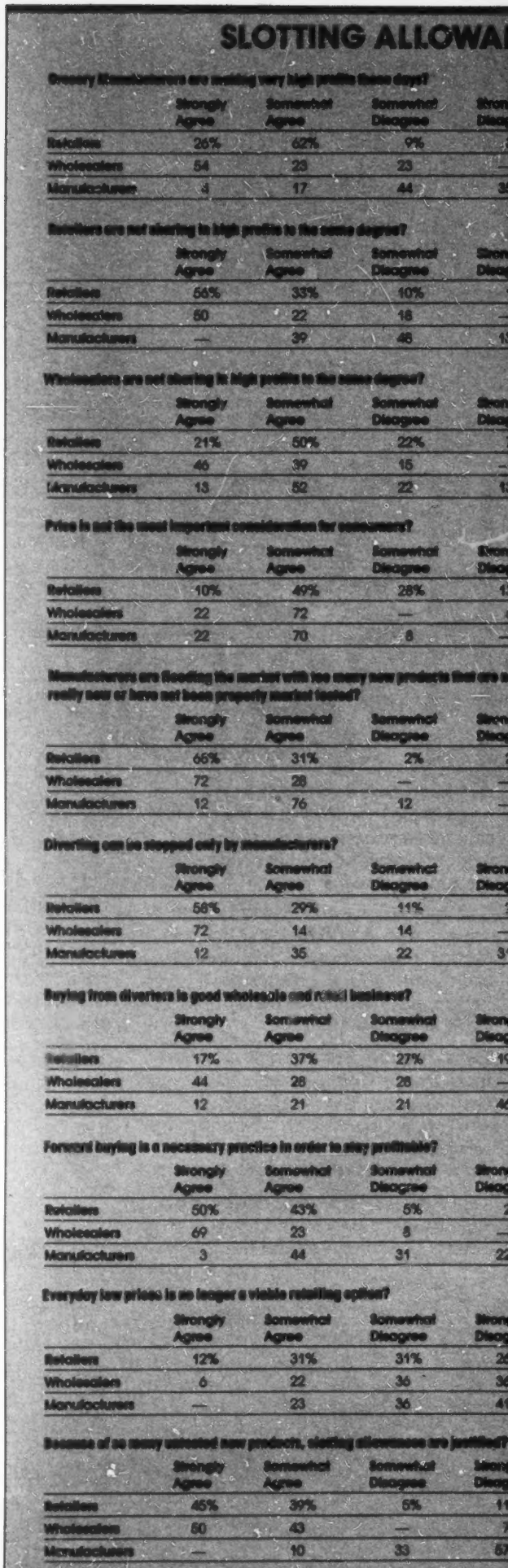
"New products are opportunities for operators to improve their gross margins. Reputable manufacturers wouldn't put out a new product without testing it and knowing that there is consumer demand for it. It's too expensive. We have a major investment in it by the time we offer it to the field. Add to that advertising that we will have spent both to the consumer and the trade."

Robert Brand
Marketing Manager
Sylvania

"New Products? I think they're great. We need new products. When they're good they create additional sales to the old product, until the old product is finally replaced. But there is a limit. And for that we have a very simple policy.

"First of all, our buyers are trained, and they have the responsibility for the products they accept. But there is a simple rule that goes with it, and it is this. For every new product that we take on, something has to be eliminated. It doesn't necessarily have to be from the same category, but it is going to be from somewhere.

"Then, periodically, we go through the warehouse and we eliminate the non-movers that are just taking up space. We just eliminated 40 items that weren't moving. That's our


SLOTTING ALLOWA

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	26%	62%	9%	
Wholesalers	54	23	23	
Manufacturers	3	17	44	3

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	56%	33%	10%	
Wholesalers	50	22	18	
Manufacturers	—	39	48	1

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	21%	50%	22%	
Wholesalers	46	39	15	
Manufacturers	13	52	22	1

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	10%	49%	28%	1
Wholesalers	22	72	—	
Manufacturers	22	70	8	

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	66%	31%	2%	
Wholesalers	72	28	—	
Manufacturers	12	76	12	

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	58%	29%	11%	
Wholesalers	72	14	14	
Manufacturers	12	35	22	3

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	17%	37%	27%	1
Wholesalers	44	28	28	
Manufacturers	12	21	21	4

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	50%	43%	5%	
Wholesalers	69	23	8	
Manufacturers	3	44	31	2

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	12%	31%	31%	2
Wholesalers	6	22	36	3
Manufacturers	—	23	36	4

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	45%	39%	5%	1
Wholesalers	50	43	—	
Manufacturers	—	10	33	5

SURVEY RESULTS

A fair slotting allowance is:

	less/$1K	$2K-$3K	$3K-$10K	$25K-UP	Whatever Traffic Will Bear
Retailers	1%	44%	11%	1%	43%
Wholesalers	—	50	8	8	34
Manufacturer	(They'd say 0, or close to it.)				

Slotting allowances are not justified where positive market acceptance can be proved.

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	11%	11%	41%	37%
Wholesalers	7	7	22	64
Manufacturers	80	5	10	5

As a retailer or wholesaler, what is your usual slotting fee for SKU?

	None	Under $1K	$1K-$2K	$2K-$3K	$3K-$5K	More
Retailers	2%	69%	14%	9%	2%	4%
Wholesaler	—	34	25	13	25	13

As a manufacturer, do you pay slotting allowances?

46% Yes 52% No

Consumers ultimately pay for slotting allowances and other distribution fees?

	Not True	Somewhat True	Sometimes True	Always True
Retailers	9%	28%	22%	41%
Wholesalers	29	13	29	29
Manufacturers	4	32	32	32

Manufacturers offer too many deals, and too often do not restrict deal quantities?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	14%	28%	33%	25%
Wholesalers	7	31	23	39
Manufacturers	22	57	17	4

Most abuses in marketing can be laid at the manufacturers door?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	38%	38%	21%	3%
Wholesalers	22	36	29	13
Manufacturers	4	31	13	26

Stronger government enforcement of anti-trust regulations would be beneficial to the industry?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	30%	41%	17%	12%
Wholesalers	22	34	22	22
Manufacturers	13	44	17	26

Charging failure fees to remove unsuccessful products is justified?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	27%	33%	19%	21%
Wholesalers	43	30	13	8
Manufacturers	10	26	10	64

Some retailers charge entrance fees to new suppliers, would you pay such a fee?

Manufacturer: 5% Yes, 95% No

Some retailers charge "hello" money for a buyer appointment. Would you ever pay such a fee?

Manufacturer: 100% No

Returns: Retailers 86
Wholesaler 14
Manufacturer 24
Total 124

SURVEY: DAVID LITWAK AND JANET TORRES CEPEDA

job and we have to do it. Buyers have to cut out a percentage of non-movers every six months."
Hank Greenberg
President & CEO
Certified Midwest, Inc.

Slotting allowances are not justified where positive market acceptance can be proved.

"As for slotting allowances, some in the West think that it is absolutely ridiculous that anybody would pay a slotting allowance. We have an introductory allowance that amounts to 15 to 20 percent of case cost, and we have terms available to everybody so that nobody has any money tied up, nobody has to invest anything. The product sells through before that. A lot of manufacturers brought this problem on themselves. They should learn to just say no."
Jim Keller

"I don't agree with paying a slotting allowance other than the actual slotting cost. No problem with that. But how can it cost one wholesaler $300 and another $3,000? I've even heard of slotting allowances that were asked as high $50,000. That's an abuse, and its a growing abuse. It's becoming more widespread all the time. This is just a means of getting more 'up front' money. It's not the cost of putting the product into the system—that's bull.

"We're a seasonal item—home canning, mostly. But there are accounts that want to charge us every year. We're already in the system, why would we have to pay to get back every year? Where's the cost? They'll tell you that a competitor offers this much, then they expect you to bid. There's the abuse."
Joe Clark
Marketing Manager
The Ball Co.

"When we introduce a new product, as we just did recently with Crystal Color Wrap, we know that we've got a good product and that there's demand for it. We backed it with a $10 million ad campaign and made six coupon drops. To have to pay a slotting allowance on top of that is just not fair. And we refused to do it. We've also been able to negotiate a lower level at times. When we've actually shown that there is demand for the product and there is consumer acceptance, and the buyer still wants a slotting allowance, I say that is just plain wrong.

"In the future, what I intend to do and I think others should do this too, after we've negotiated the slotting allowance as much as we can, then I am going to say, 'Okay, we'll pay it. But in return this is what I want. I want a minimum display ad, I want these price points in the ad and this kind of support.'

"That's what we're going to have to do. We'll pay the slotting allowance, but we want the difference between what it actually costs to put in the product (and pretty soon we'll know that from GMA and other task force studies) and what the buyer is asking us to pay. For slotting fees, they're asking 10 to 20 times what it actually costs. That's not fair.
John Lowrie
VP Div. General Manager
Reynolds Metals Co.

"In our case, in light bulbs, we provide the inventory, the shelving, the actual stocking, and then the inventory is on consignment. To have to pay a slotting allowance in addition is going way past a reasonable business partnership. I

still get asked, but I refuse. If a new product proves to have sales potential, it should be stocked without having to pay for it.

"In the light bulb business we provide everything. In any business relationship there should be some mutual risk. We take a lot of risk.
Robert Brand

"We've paid slotting allowances in the past, but right now we've got a new product that is unique, so we're not paying a slotting allowance. We refuse. We do have an introductory allowance. Any operator has a right to refuse any deal. But they don't have a right to deduct from an invoice without giving you a chance to pay. It is unfair."
Don Cook
Director of Sales
Melitta Co.

"Slotting allowances are pretty artificial and I don't know that they're justified. They're like failure fees. Somebody started paying them—probably to help out some of these companies that are in deep LBO debt, and then everybody heard about them. There are very few secrets in this business. As soon as some vendors started helping out special customers with special terms and conditions, they opened up a Pandora's Box. I can say, at least, that ours are fairly reasonable for everyone. They're nominal. And I suppose they are an attempt to put on some controls."
Ken Wagar
VP marketing, sales
Spartan Stores, Grand Rapids

"I strongly agree with that. They are not justified."
Everett Dingwell
President & CEO
Certified Grocers of California

Just say no.

"If a buyer doesn't want a product, he should just say no. They tell me no enough. But if there is a strong marketing push behind the product, they should take it. Once you start relying on areas other than your business and your expertise to offset your losses, you're truly lost.

Two years ago, almost no one would speak for the record on the issues of slotting allowances, street money and Robinson-Patman. Today, they are willing and eager.

"You have to run your own show. No retailer loses money on a Melitta product. Why should I pay a fee to continue to keep my product in the store if it is selling, as I have been asked? 'Pay to stay' doesn't make any sense. If this kind of thing keeps up, the middle-sized and smaller companies are going to suffer, and innovation is going to suffer. And in the long run it is the consumer who will suffer."
Don Cook

"The buyers have a responsibility that is more than just the bottom line. They have a responsibility to their customers to sort through all the products and the deals and to approve or disapprove what is right for their customers. Renting store space is wrong. Can it be done? They did it pretty well until a few years ago."
Jim Mayor
Senior vp
ICD/Hearst, Inc.

Pay to stay? "No way."

"But at the same time, some of the things that we're being asked to pay for are pretty ridiculous. We've been asked to pay to continue in a chain or wholesaler because they've built a new warehouse, and we've already paid to be in the old warehouse. Pay to stay? We said, 'No way.'"
John Lowrie

Diverting and forward buying are good business.

"Diverting and forward buying are connected to the whole problem because people are diverting out of a forward buy position. Manufacturers can control that by demanding performance and enforcing a 'count and recount.' A lot of people are doing that. Just a few months ago, Kellogg's and Gerber's announced that they would allocate quantities of purchases in anticipation of announced price increases. What happened? They had to retreat from that position."
Hank Greenberg

"I get a little frustrated with the vendors because they like to beat us up on diverting and forward buying, but as far as I am concerned that's an opportunity that they created within their own structure. Our responsibility is not unlike that of the retailer—that is, to take advantage of any opportunities that make the retailer more competitive and provide the lowest cost of goods. If the vendors create programs that enable you to do that, then you take advantage of those in any way you can.

"If the vendor would get off these artificially high list prices and heavy deals under them, it would solve the problem for him. In that way maybe we could get to a more realistic situation of everyday low prices. When you get five or six deals a year with deep enough deals to bridge from one to another, you've pretty much got EDLP anyway, haven't you?"
Ken Wagar

Stronger enforcement of Robinson-Patman would be beneficial.

"We need to enforce Robinson-Patman, but we need to self-regulate as well. For example, it's true that manufacturers are primarily responsible for diverting, but wholesalers and retailers can help reduce this waste of productivity. There's a loss of focus by the buying departments."
Jim Keller

"I don't think there is a level playing field, and therefore the Robinson-Patman Act should be enforced. The problem is that somebody has to call, 'Foul.' But we're very reluctant to call, 'Foul,' because of the fear of the publicity that will come out of it. Nobody wants to be in the position of saying, 'So and so is guilty of predatory pricing because he is selling too cheap.'

"Here's what I mean about the level playing field. Suppose that the manufacturer offers a case allowance of $3.00 to the wholesaler. Then, for promotional performance he offers the retailer an addition dollar per case (street money). I have no quarrel with that at all. He then offers the chain $4.00 a case on the same promotion, because the chain controls the store performance. Still no problem.

"The problem begins, however, when the manufacturers permits a 'last day buy-in' for the chain at $4.00 a case and wants to offer the wholesaler (whether voluntary or co-op) a last day buy-in of only $3.00. We want the $4.00, too, because he is no longer demanding performance from the chain either, and he certainly isn't going to reach our retailer member to give him the extra buck.

"For years, the retail member of a co-op or voluntary has been penalized by this system, because the manufacturer claimed that he couldn't guarantee performance. But he wasn't asking for performance of the chain either on the last day buy-in. We are demanding this and getting it about 60 percent of the time. We think it's just fair.
Hank Greenberg

"I hate to see more government regulation. I am a strong believer in letting market forces find their own solutions. But there are some practices that seem unfair. There are these small groups of retailers around the country—not the FMI's or NGA's, but groups of six or eight non-competing retailers or wholesalers around the country—share groups they call them. They're allowed to get together and share marketing information.

"But if you're trying to solve a local problem, perhaps gain a local share of market or whatever, there are many reasons why you might want to make a special offer that you can't afford to make nationally. These groups will tell each other what you did in one market, and then expect you to offer it in all markets. Now, as a manufacturer I can't do that. I can't get together with other manufacturers on terms of sale (and I'm not saying that I should be able to do that), but what's fair is fair.

"I also think that it's pretty short-sighted for retailers and wholesalers to offer their buyers incentives on how much 'up front' money they can bring in. That's not building anything for the future, that's not building a business for the long term. I don't think there's a level playing field anymore. And I don't think there's much trust either. It's pretty tough to do business without trust.

"What's going to happen is, I think, that eventually the consumer is going to get wise to all of this and realize that they are the ones who are paying for these inefficiencies and lack of productivity. It takes a lot for consumers to get involved, but when they do it becomes an emotional issue. After all, it's the consumer who's paying."
Joe Clark

"As for enforcing the Robinson-Patman Act, I don't have any problem with that. It ought to be enforced. But we want to see that promotional money go to everyone. The vendors can pretty well reach the retailer in the Grand Rapids metro area, and that's about half of our customers.

"But they can't reach the ones out in the rural areas. We think those retailers should have the same opportunities for the promotions and last day buy-ins. The vendors can put on any kind of requirements they want, and we'll track that information on movement back to them. We want to see the manufacturers make that money available—not just those who are close to them that they can contact.

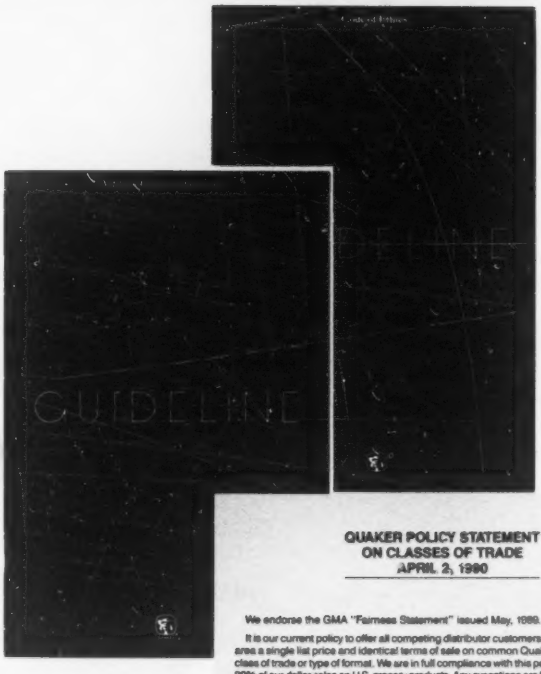
"There is still a class of trade issue. It's probably less of an issue in food than in non-food and HBA, but it's still there. I think that's a Robinson-Patman issue. There's a problem and a danger of winding up on the wrong side, no matter what. But there are getting to be too many issues that because they are difficult nobody wants to move. Nobody wants to take that step forward. Somehow we've got to start breaking down those barriers."
Ken Wagar

"I wouldn't mind seeing Robinson-Patman enforced. I don't want this country to operate without it the way they do in Canada and in Europe. I've had experience with that. But at the same time, it can be pretty tough to comply with in every detail. It's pretty hard to account for all the accrual funds and market development funds penny by penny and product by product.

"And how do you get to that independent to make sure that he's getting a proportional amount and that he's performing exactly in line with the chain? That's tough. It's difficult to make it work.
John Lowrie

Editor's Note: *We received questionnaire replies from several large and giant chains, but none would permit us to quote them.*

Those respondents who were strongly against enforcing Robinson-Patman either could not be reached for comment, or did not wish to comment.



Quaker Oats' public position on "classes of trade" has already been well received by the trade.

QUAKER POLICY STATEMENT ON CLASSES OF TRADE APRIL 2, 1990

We endorse the GMA "Fairness Statement" issued May, 1989.

It is our current policy to offer all competing distributor customers within the same market area a single list price and identical terms of sale on common Quaker SKU's regardless of class of trade or type of format. We are in full compliance with this policy today on more than 99% of our dollar sales on U.S. grocery products. Any exceptions are for the most part regional brands with limited distribution.

All Quaker SKU's and Special Packings are available for purchase by any approved distributor customer regardless of class of trade or type of format. This applies to all consumer and food service packings and will be announced via our Special Pack Price List and our Universal Price List.

Trade promotions are offered to all competing distributor customers regardless of class of trade or type of format, in a manner consistent with antitrust policy and the Robinson-Patman Act.

To ensure the integrity of this Policy Statement, we have initiated a number of internal procedures which include the following:

1. Price lists for all Quaker Divisions are managed through a central control point.
2. All Quaker Divisions review and coordinate their trade promotion plans with other Divisions each quarter.
3. We consistently track and monitor each Division's compliance with this policy.

In addition, we have asked for the personal commitment of all Quaker employees as well as the Brokers who represent us to our "Code of Ethics" and "Antitrust Policy and Guidelines" which reinforce the basic principles of this policy. Copies of both are enclosed.

For further information relative to this subject, please contact Ken Robb (Director-Customer Development, U.S. Grocery Products) or Paul Baron (Vice President-Marketing & Sales, Food Service Division) at The Quaker Oats Company, P.O. Box 9001, Chicago, IL 60604; telephone (312) 222-7111.

SERVICE DEPARTMENT CUSTOMERS: A NEW LOOK AT SHOPPING HABITS AND ATTITUDES

BY DAVID LITWAK

Science—from technological innovations, such as scanners and computers, to statistical methodologies that give meaning to raw data—has been a real help to the industry.

But like anything else, science has its limitations. Instead of relying only on abstract sets of numbers to find out what's going on in a store, sometimes it's better to go right to the shoppers for some answers.

This may be especially true when your questions relate to service departments. Who really shops the service deli, the instore bakery, salad bar, seafood section, or buys supermarket prepared foods? What do these customers think about the quality of the food and service in these departments? Are there really large segments of the shopping population that still doesn't shop the delis and bakeries?

Contrary to what was previously thought, most consumers do shop the service departments. When it comes to deli and bakery, it's not the number of people who ultimately shop that's important, but how often they shop.

To answer these questions, INSTORE BUSINESS surveyed 1,000 supermarket customers, both men and women, on their shopping habits and attitudes concerning the instore service departments. The nationwide telephone survey was conducted by the ICR Survey Research Group (Media, Pa.), an independent market research firm.

Plenty of shoppers

The survey found, first of all, that there are a great many people shopping the instore sections, especially the delis and bakeries. Of the 1,000 supermarket shoppers surveyed, 717 shopped the service deli at least once a month, while 707 shopped the instore bakery.

Slightly more than half (520) the participants made pur-

INSTORE SHOPPING HABITS

Shop	Total	More than once/week	Once week	Once in 2 weeks	Once month	Less than once/month	Never
In Supermarket	100.0%	38.2%	46.0%	10.3%	3.5%	—	1.6%
Service Deli	71.7	7.6	28.6	12.0	23.1	.4%	27.7
Instore Bakery	70.7	7.7	25.3	13.1	24.1	.6	28.1
Prepared Foods*	52.0	6.4	16.7	6.3	22.3	.3	46.5
Seafood	52.4	3.2	15.5	9.6	23.5	.6	46.5
Salad Bar	34.4	3.4	9.8	6.6	14.5	—	65.0

*Either hot or cold from the service deli or self-service case

(CUMULATIVE)

Section	Total	More than once/week	At least once week	At least once in 2 weeks
In Supermarket	100.0%	38.2%	84.2%	94.5%
Service Deli	71.7	7.6	36.2	48.2
Instore Bakery	70.7	7.7	33.0	46.1
Prepared Foods	52.0	6.4	23.1	29.4
Seafood	52.4	3.2	18.7	28.3
Salad Bar	34.4	3.4	13.2	19.8

chases of prepared foods from the supermarket, and about the same number (524) admitted patronizing the seafood department at least once a month.

The salad bar was used less than the other sections. Only 344 of those surveyed made purchases from it at all.

One aspect of these results is surprising. Although it is gratifying to see such a high percentage of departmental customers, the numbers seem to contradict other well-established purchase statistics.

When looking at transaction data supplied by retailers, the Eighth Annual Operations Review of Service Delis (INSTORE BUSINESS, March 1990) reported, that on average, just 19.8 percent of store shoppers make a deli purchase. Similarly, the Eighth Annual Operations Review of Instore Bakeries (April, 1990), reported that, on average, just 27.9 percent of store shoppers purchase instore bakery products.

These figures have remained fairly consistent for several years, and are generally about the same as those reported by other sources in the industry. The percentage of reported deli and bakery shoppers has not increased significantly, despite promotion and ad campaigns.

Retailers and product manufacturers have thought long and hard about how to get the seemingly overwhelming percentage of store shoppers who do not shop the deli or bakery to begin to do so. But efforts to bring in these "new" shoppers have fallen far short of its goal.

Clue to an old problem

There would seem to be a major discrepancy between the survey result that over 70 percent of the consumers patronize the deli and bakery, and the retailer reports that their transaction data shows an average of just one fifth and one quarter of the shoppers at any one time making purchases from these departments.

The problem seems to have sprung from the conclusion that most industry experts have traditionally reached based on the retailer transaction data.

That conclusion, based on a 19 percent average deli transaction rate, was that 80 percent of shoppers need to be coaxed into the service departments, and that this can be done by showing them how good deli or bakery products are. Everyone was going after them as though they were all new customers.

According to the new research, nearly 72 percent of store customers are, at some time or other, deli custo.ners. Unfortunately, no more than 19 percent are customers on any one day. The problem is not one of quantity of service department customers, therefore, but of the frequency with which customers shop those departments.

Thirty-eight percent of the respondents shop in a supermarket more than once a week. Add those that report shopping only once a week, and you are up to 84 percent. The percentage of store shoppers goes all the way up to 94.5 percent, when you add in those who shop once every two weeks.

By contrast, 71.7 percent of the respondents are deli shoppers, but only 7 percent shop the deli more than once a week. It goes up to 36 percent when you add in those who shop the deli once a week, and up to 48 percent when you get up to once every two weeks.

So, about 23 percent of the respondents claim to shop the deli, but make purchases less often than once every two weeks. The comparisons for bakery purchases to store shopping are almost the same.

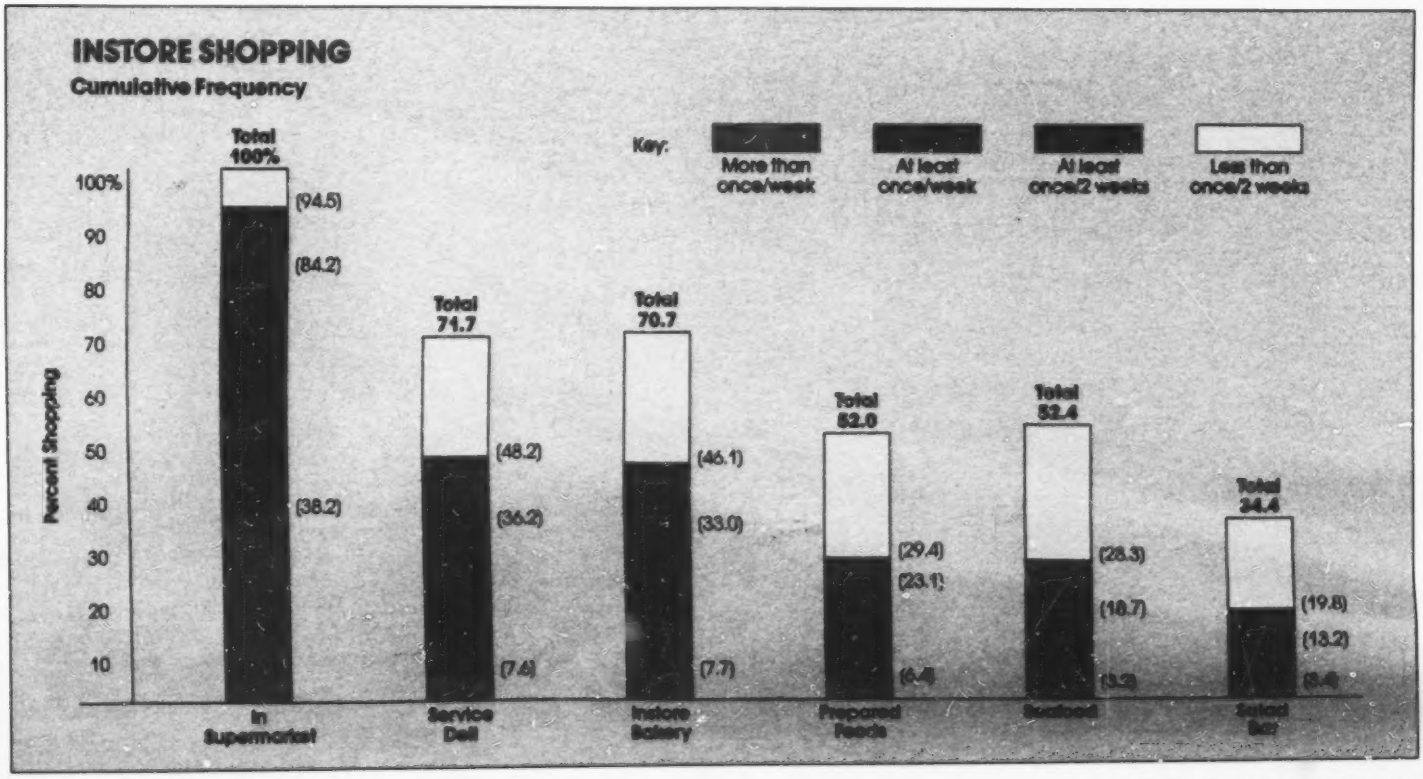
It appears that there are not one out of five customers who are deli customers, but more likely one out of five shopping trips that are deli shopping trips. Therefore, strategy for improving the percentages of deli or bakery transactions shouldn't be to market the deli or bakery as if you were trying to attract new customers, but to "sell" those departments as if their products were an essential part of the menu to be purchased more often.

Food and service may be better

If there is anything that prevents shoppers from purchasing food at the deli or bakery, or other sections, it is not their perceptions of the quality of the products. Shoppers generally agreed with a number of statements concerning the freshness and quality of these products.

Almost 59 percent of the participants agreed that instore bakery products were as fresh, or fresher than those sold by independent bake shops. About 29 percent of the shoppers strongly agreed, while another 29 percent agreed. Only 30 percent disagreed.

The ratings of supermarket prepared foods were similar to those of bakery products. Fifty-three percent agreed that prepared foods sold in supermarkets are as fresh, or fresher than those sold in take-out shops or fast food restaurants. Of these, 20 percent strongly agreed, while only 32 percent disagreed with the statement.



Even though half the shoppers do buy supermarket prepared foods at least once a month, they tend to buy those foods far more often elsewhere.

SHOPPERS' OPINIONS

Statement: Supermarket Bakery products are as fresh or fresher than those of independent retail bakers.

	Total	Male	Female
NET AGREE	**58.8%**	**60.1%**	**57.6%**
Strongly Agree	29.1	26.7	31.3
Somewhat Agree	29.7	33.4	26.3
NET DISAGREE	**30.1**	**29.4**	**30.8**
Somewhat Disagree	19.8	20.2	19.4
Strongly Disagree	10.3	9.3	11.3

Statement: Prepared foods sold in supermarkets are as fresh or fresher than that sold in take-out shops or fast food restaurants.

	Total	Male	Female
NET AGREE	**53.3%**	**54.6%**	**52.2%**
Strongly Agree	20.2	23.5	17.2
Somewhat Agree	33.1	31.0	35.0
NET DISAGREE	**32.2**	**32.4**	**32.1**
Somewhat Disagree	20.3	19.2	21.2
Strongly Disagree	12.0	13.1	10.9

Statement: The quality of supermarket prepared foods is better than that of take-out shops or fast food restaurants.

	Total	Male	Female
NET AGREE	**43.3%**	**48.2%**	**38.8%**
Strongly Agree	13.9	16.8	11.3
Somewhat Agree	29.4	31.4	27.5
NET DISAGREE	**39.9**	**38.5**	**41.1**
Somewhat Disagree	27.8	26.6	28.9
Strongly Disagree	12.1	11.9	12.2

Statement: The service department employees in supermarkets are more knowledgeable and more helpful than those in fast food shops.

	Total	Male	Female
NET AGREE	**67.9%**	**72.2%**	**64.0%**
Strongly Agree	31.2	34.3	28.4
Somewhat Agree	36.7	37.9	35.6
NET DISAGREE	**19.0**	**15.9**	**21.9**
Somewhat Disagree	13.8	11.5	15.9
Strongly Disagree	5.2	4.4	6.0

Statement: It is too inconvenient to purchase prepared foods at the supermarket instead of a take-out or fast food shop (too long a wait).

	Total	Male	Female
NET AGREE	**35.8%**	**42.3%**	**29.9%**
Strongly Agree	13.1	18.8	8.0
Somewhat Agree	22.6	23.4	21.9
NET DISAGREE	**51.3**	**47.6**	**54.6**
Somewhat Disagree	34.2	29.9	38.2
Strongly Disagree	17.0	17.7	16.4

Statement: I would be as likely to buy a prepared meal from the supermarket as from a take-out shop or fast food restaurant.

	Total	Male	Female
NET AGREE	**40.9%**	**40.0%**	**41.8%**
Strongly Agree	16.4	17.0	15.8
Somewhat Agree	24.5	23.0	26.0
NET DISAGREE	**52.3**	**53.4**	**51.3**
Somewhat Disagree	26.2	26.7	25.8
Strongly Disagree	26.1	26.7	25.6

Why Shoppers Who Don't Purchase Deli, Bakery or Prepared Foods, Or Only Purchase Them Once A Month— Don't Purchase Them More Often!

—Prefer Home Cooking	17.1%*	—Not Available	4.5
—Price	14.3	—Prefer To Buy At Other Type of Store	4.1
—Inconvenient	13.8	—Watch What I Eat/ On Special Diet	4.0
—Don't Need/Just Don't Buy	11.5	—Appearance	2.7
—Taste	8.3	—Other	5.3
—Quality	7.3		
—Don't Eat These Items	6.6		

Not only are supermarket prepared foods fresh, but also of a high quality. Forty-three percent of the consumers we spoke to agreed that that supermarket prepared foods are better quality than those found in take-out shops or fast food restaurants. Forty percent disagreed with this statement.

Since many of these products are sold through service-oriented departments in supermarkets, the ability and helpfulness of the clerk serving those products becomes a very important issue. Here again, supermarkets do very well.

When it comes to service employees, 68 percent of the shoppers agree that those in supermarkets are more knowledgeable and more helpful than those in fast food shops. Thirty-one percent strongly agree. Only 19 percent disagreed that supermarket employees are generally better.

All this seems great. Bakery items and prepared foods are fresh, and of a high quality, and they are served by more knowledgeable and helpful employees. You'd think that consumers would buy all their prepared foods at the supermarket. Wrong!

Shoppers are more likely, despite their high regard for the freshness and quality of supermarket prepared foods, to buy their meals elsewhere. Fifty-two percent disagree with the statement that they would be as likely to buy a prepared meal in the supermarket, as from a take-out or fast food shop. Twenty-six percent disagreed strongly.

About 41 percent said that they agreed they would buy a prepared meal from the supermarket.

Not very convenient

A part of the problem appears to be the convenience factor, or in the case of supermarkets, the inconvenience factor. While this is certainly not the whole problem, it is, according to the respondents, a deterrent.

While 51 percent disagree with the statement that it is too inconvenient to purchase prepared foods at the supermarket, 36 percent agreed. While not the majority, this is still a large enough percentage to steal sales away from the supermarket. Of those who disagree, 34 percent of the total sample only disagreed somewhat.

Males seem to be swayed more by convenience than females. Forty-two percent of the males agreed that buying prepared foods at the supermarket was inconvenient, while only about 30 percent of the female respondents agreed.

But there is more going on here than just a question of convenience: There is the mind-set of the shoppers. Shoppers just do not think about a prepared meal from the supermarket as often as they do from some other type of foodservice outlet.

The other 28 percent

What about those shoppers who very seldom or never purchase items from the bakery, deli or prepared foods section of the supermarket? They cite a vast number of reasons for not buying.

The reason most often quoted by these 280 consumers is that these patrons claim that they just would rather do it themselves. Over 170 of them prefer home cooking to prepared foods. Price is another factor, with over 140 claiming that the prices in are too high.

Inconvenience is also a contributing factor to those who don't often purchase instore products. Almost 14 percent of the 1,000 consumers interviewed say it is just too inconvenient to come into the supermarket when they are looking for these items.

Some people just don't buy these products (11.5 percent), and others just don't like the taste of them (8.3 percent). If any group of potential shoppers need to be marketed to as if they were new customers, it is this 30 percent that never or infrequently purchase deli or bakery items, including prepared foods.

All in all, supermarket consumers give the instore sections fairly high ratings. They seem satisfied with the integrity, taste and freshness of the products.

The major problem that the industry is still faced with is getting these consumers to shop these departments more often. Getting more awareness of these products in the minds of consumers seems to be critically important, especially among those consumers who are frequent buyers of prepared foods from other types of outlets.

The message needs to be, "You've tried it, you know it's fresh, and tastes good—so why not buy it *here*?" ▣

SUPERMARKET BUSINESS

NONFOODS BUSINESS
INSIGHTS FOR MANAGEMENT AND THE GM/HBA SPECIALIST

OPERATIONS REVIEW OF HEALTH & BEAUTY AIDS SECTION

BY DAVID LITWAK AND
JANET TORRES CEPEDA

Annual sales of Health and Beauty Aids have now surpassed the $10 billion mark. With the section's good margins and low labor costs, it continues to be essential to the supermarket sales mix.

PROFITS AND PRODUCTS

HBA is responsible for just over 5% of total store sales in the in which they are located. Given that the department as a whole has an average gross margin of 26.6%, the sales of HBA items can add a great deal of extra profit to the store's bottom line.

The largest share of the HBA sales pie goes to OTC remedies (23.2%). These items are expected to get even more popular as more prescription drugs are sold over-the-counter. This should mean an even rosier profit picture, because OTC drugs, especially this new generation of former Rx's, carry even higher profit margin.

Contact lens products, incontinence products, baby needs and diet aids are also expected to grow in the year to come, adding more fuel to HBA sales and profit fires.

Share of Total Store Sales

Mean: **5.3%** Median: **5.1%**

By Store Format

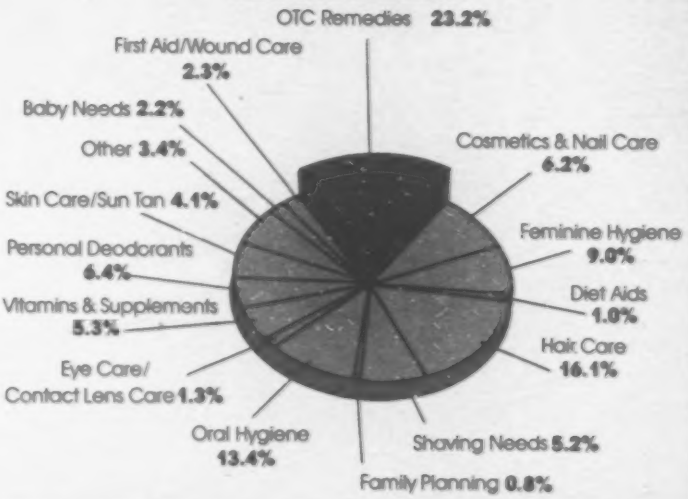
Conventional	**3.8%**
Super Store	**5.5**
Superwarehouse	**5.0**

Gross Margin

Mean: **26.6%** Median: **24.8%**

Less than 20%	**18%**
20-24	**28**
25-29	**29**
30-34	**19**
34 or more	**9**
Total	**100%**

Portioning Out HBA Sales



HBA Products Most Frequently Added Or Given Increased Space

—Eye care
—Baby needs
—Incontinence products
—Rx to OTC remedies

What Will Be The Hottest Products of the 1990's

—Diet aids
—Eye care
—Deodorants
—Environmentally safe products

SPACE AND LABOR

At an average of just under 200 gondola feet, most HBA sections are not extremely large, although the average section in a superstore can be about 100 gondola feet larger.

Employee time in a non-service HBA section, which the vast majority are, is minimal. On average, it requires only 1.7 full-time equivalent employees to run the section.

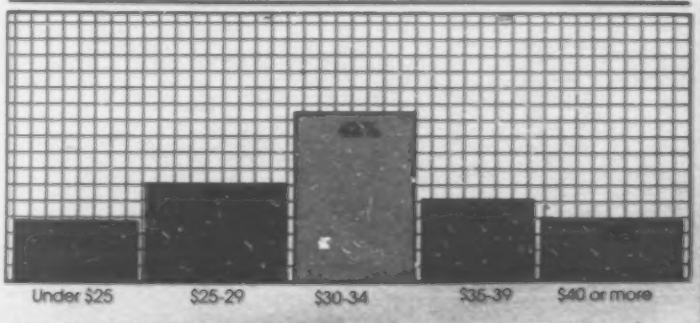
Size of Department

Mean: **198 gondola feet**
Median: **210 gondola feet**

By Store Format

Conventional	**143 gd. ft.**
Super Store	**294 gd. ft.**
Superwarehouse	**285 gd. ft.**

Average Weekly Sales Per Gondola Foot Mean: **$32.18**



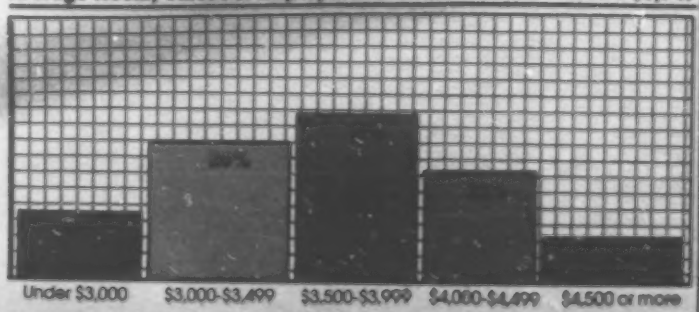
How Much For Labor

(Labor as percent of HBA sales)
Mean: **3.9%**
Median: **4.3%**
Percent of companies using service merchandisers in at least some of their units: **39%**

Number of Employees

Full-Time	1.2
Part-Time	1.7
Full-Time Equivalent	1.7

Average Weekly Sales Per Employee Mean: **$3,747**



The competition is fierce. Health and beauty aids have always been an area of retail sales that is hotly contested.

Neighboring supermarkets compete for HBA sales with each other, as well as with drug stores, mass merchandisers, specialty cosmetic outlets, and discount HBA merchants. Potential profits are high, as well as the power to draw customers.

Since 100 percent of all supermarkets, as well as most of the units among the other kinds of outlets, have some kind of HBA section, the advantage in terms of customer draw is no longer in just having the section. Rather, the drawing advantage goes to the store with the more substantial department.

But "substantial" means different things to each retailer. Substantial is only an advantage until it grows beyond the point of diminishing returns.

Operating a successful and profitable HBA section is not as easy as it might appear to the layman. SUPERMARKET BUSINESS prepared the Operations Review of the Health and Beauty Aids section among the nation's supermarkets to ascertain the level of performance of these departments, and their importance to the store's operations.

Last year, our nation's supermarkets reached a new summit as HBA sales soared past the $9 billion mark. The 1989 total sales of $10.17 billion represented an increase of 5.1 percent over the previous year.

One aspect of this sales increase is particularly gratifying. Sales increased at a good rate, despite the absence of a large increase in the number of units with an HBA section.

Since there already was a section in every supermarket, the only new sections that opened were in new supermarkets. But the total number of supermarkets did not increase significantly during 1989.

The vast majority (88 percent of supermarkets report that their HBA sales did increase last year. The remaining 12 percent report no change in their sales. No store reported a decrease in sales.

On average, each supermarket sells about $6,370 of HBA products during any given week. While stores of different sizes will vary in their weekly

SALES

Health and Beauty Aids is a must section for any supermarket, and has become a part of the way we define the term "full-line." Found in 100% of all supermarkets, HBA products had sales of over $10 billion in 1989, an all-time high.

The 5.1% sales growth is a function of the growing acceptance on the part of consumers of purchasing HBA products as part of an integrated food/nonfood shopping trip. Increased sales are being enjoyed by the vast majority of all retailers, with 88% reporting higher HBA sales last year.

Pharmacies continue to do well in supermarkets, and to influence consumer shopping choices. Currently, the nation's 3,745 supermarket pharmacies bring in an average of $11,450 per week in sales.

Health and Beauty Aids Sections

Number of Stores With HBA Sections:	30,700
Percent of Supermarkets:	100%
Number of Stores With Pharmacies:	3,745
Percent of Supermarkets With Pharmacies:	12.2%

Pharmacy Sales

Total Supermarket Pharmacy Sales: **$2.23 Billion**

Average Weekly Sales Per Pharmacy: **$11,450.**

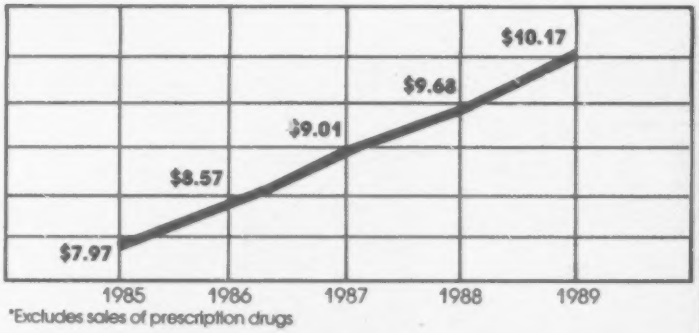
Average Weekly Sales Of HBA

Mean: **$6,370** Median: **$6,175**

Average Weekly Sales:

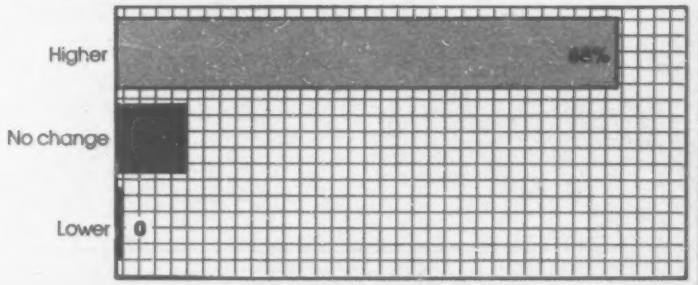
Less than $5,500	7%
$5,501-$6,000	29
$6,001-$6,500	34
$6,501-$7,000	21
$7,000 or more	9
Total	100%

Annual Sales* (billions)



*Excludes sales of prescription drugs

Change in Dollar Sales (1988 vs. 1989)



Average reported increase **6.9%**

sales, most fall in a fairly narrow range. Eighty-four percent of all supermarkets have weekly HBA sales that range between $5,501 and $7,000, a spread of only $1,500.

In one respect, HBA sales are somewhat like produce department sales. While departmental sales are generally within a certain range, sales of some types of products are highly seasonal. Cold medications are higher in the winter, and suntan products are strong summer sellers.

Many other HBA products, including vitamins, cough medications, allergy products, some skin care items and lip protectors, are also highly seasonal. Of course, HBA has a large number of staple products that have constant sales no matter what the season—products such as toothpaste, analgesics, certain cosmetics, shaving needs, antacids, and personal deodorants.

As it stands now, on average, HBA sales account for 5.3 percent of the total sales of the stores that they are in. This percentage does vary considerably according to the kind of store in which the section is located. Sections in superstores carry about 5.5 percent of store sales, while superwarehouses do 5.0 percent, and conventional stores only about 3.8 percent.

This finding is the opposite of that found in several other departments. Usually, a department will have a smaller percentage of store sales in larger stores because of their size and the greater number of products they carry.

HBA is different because conventional stores do not usually have very large HBA sections, especially with respect to higher-end HBA products. The larger stores do, and are able to achieve a greater proportion of HBA sales.

The HBA section is potentially very profitable. Its average gross margin is 26.6 percent. This fairly high margin, coupled with relatively low labor costs, should garner a good net profit. Exact profit figures are hard to determine, however, because many retailers still lump HBA sales into their grocery department receipts.

Product mix

The HBA section is really a department made up of several sections. There are over-the-counter (OTC) remedies, oral hygiene products, feminine hygiene products, personal hygiene products, family planning products, first aid, cosmetics and nail care, baby needs vitamins, skin care, shaving needs, and so on.

When it comes to sales, three of these sections dominate the whole department, accounting for over 52 percent of total HBA sales. By far the largest group is OTC remedies, which account for 23.2 percent of HBA sales. These include many different categories of products, such as cough/cold products, analgesics, antacids, and laxatives. Basically, they include any product that will relieve any symptom, ranging from a headache to athlete's foot.

Hair care (16.1 percent) and oral hygiene (13.4 percent) are the other two categories of products that combine with OTC to make up half the HBA sales. Feminine hygiene (9.0 percent), personal deodorants (6.4 percent) and cosmetics/nail care (6.2 percent) are also large sellers.

Retailers report that a number of product categories are or will be fast risers in the HBA aisles. OTC products are predicted to continue to grow, both in sales and in the number of products vying for shelf space.

The category is currently being fueled by a number of formerly prescription-only drugs that have been downgraded to OTC by the Food and Drug Administration. This transition of the status of many of these products from Rx to OTC should continue for several more years as the FDA decontrols more drug formulations. This may have some adverse effects on the pharmacy department, as some sales of formerly high priced Rx products switch to OTC.

Other categories that are showing good growth are eye care and contact lens care, as more and more people are now wearing contact lenses, and need the cleaning solutions. The baby needs section is also growing, as is the relatively new incontinence products section.

In addition, we can expect good growth from dieting aids, as people continue to be more conscious of their health and appearance, and the personal deodorant category.

Another area of growth cuts

MERCHANDISING & PROMOTION

Whenever there is a pharmacy in the store, it is the predominant merchandising philosophy to place the HBA department directly adjacent to that pharmacy. The run-off and cross-merchandising between the two sections improves sales in both.

The department's products are promoted through a variety of methods, the most frequently used being store circulars. These, along with newspaper space and POP materials, make up the bulk of HBA section promotions.

Retailers do not seem to be very concerned about the possible negative connotations of the term "Aids" in HBA. They are mixed, or even indifferent, on whether to support a change in the terminology to "Health and Beauty Care."

Location of HBA Section

(in stores with pharmacies)

Adjacent to pharmacy	98.9%
Away from pharmacy	1.1
Total	100%

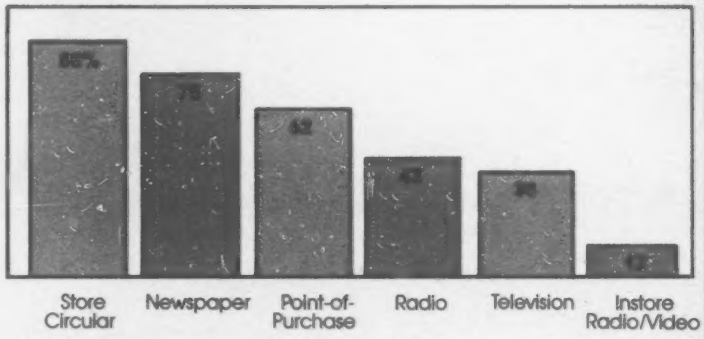
Home Care Section

(percent having separate section)

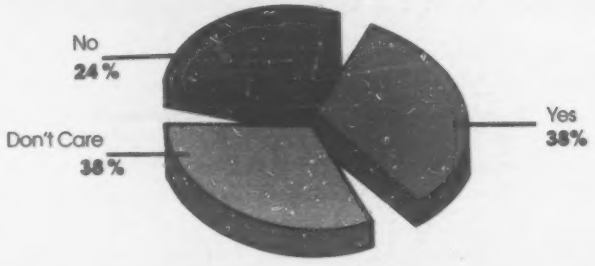
	% companies
None	75%
In some stores	25
Total	100%

Advertising and Promotion

Percentage Using



Should "Health and Beauty Aids" be changed to: "Health and Beauty Care"?



across most product categories. Retailers predict that the "green" product movement will have a strong sales presence in the HBA section. Those products that can make the shift to environmentally safe contents and packaging will grow at a faster rate than those that don't.

Among the products that should be affected the most, for better or worse, are personal deodorants, any aerosol-propelled products, paper-based feminine hygiene and incontinence products, and products such as cosmetics, hair care, eye care, fragrances and other products that may be tested on animals.

Almost a one-man show

Labor does not appear to be as much of a factor in the HBA section as it is in other store departments. On average, most stores utilize just over one full-time employee to run their HBA department. Add to this an additional 1.7 part-time employees, on average, and you get the equivalent of just 1.7 full-time employees running the HBA section.

Given the few employees needed to run the section, the average weekly sales per HBA employee comes to $3,747. According to operators, the cost of labor in the HBA section comes to just under 4 percent of their HBA sales. As a result, the profit potential of the department is kept high by low labor costs.

Labor costs are also kept down by utilizing the services of service merchandisers. Thirty-nine percent of the retailers responding claim that they use service merchandisers to handle the HBA sections in at least some of their stores, although not necessarily all their stores.

The section, at an average of 198 gondola feet, brings in about $32 a week in sales per gondola foot.

One aspect of health care sales that can enhance sales of both the HBA section and the total store is the presence of a pharmacy. By the end of 1989, there were approximately 3,745 pharmacy units operating in the nation's supermarkets. This is up from the 3,150 that were operating at the end of 1986.

This means that roughly 12 percent of all supermarkets also have pharmacies. Annually, these pharmacies account for an additional $2.23 billion in sales, over and above HBA section sales. This works out to an average weekly sale of about $11,450 per pharmacy, most of it in prescription drug sales.

Operators use the pharmacy as a natural tie-in to the store's HBA operation. Almost 99 percent of stores with a pharmacy report that they position their HBA sections directly adjacent to those pharmacies.

Having a pharmacy gives a store the extra advantage of having a pharmacist present to answer customers' questions about OTC products. This may be very important to HBA sales, especially since the influx of Rx to OTC products has increased.

Whether there is a pharmacy present or not, home health care has increased in sales in HBA departments. Wound care and first aid, along with home diagnostic kits, have become hot sellers. Manufacturers have urged retailers to merchandise home health care items together in self-contained areas or special sections.

Supermarket retailers have not responded by putting together special wound care or immediate care sections. Seventy-five percent have not established these sections, while 25 percent have done so in some of their units.

Print and instore advertising appear to be the media of choice when promoting the HBA department. Store circulars were used by 88 percent of the operators for HBA advertising, while 75 percent also used newspapers, and point-of-purchase materials were used by 62 percent.

Broadcast advertising is a far less important medium for HBA promotion, with radio, television, and instore broadcasting all being used by fewer than half the retailers.

"Aids" or "Care"?

With the unfortunate connotations of the word "Aids" in today's lexicon, there is a movement to change the term "Health and Beauty Aids" to "Health and Beauty Care". The change has the support of both the Food Marketing Institute and the General Merchandise Distributors Council.

The movement, while enjoying the support of these prestigious organizations, does not have the overwhelming support of retailers. In fact, many retailers are just not very interested in the issue.

Thirty-eight percent of the retailers were in favor of changing HBA to HBC, while 24 percent felt that there was no need to make the change. The remaining 38 percent of retailers really did not care whether the section was called HBA or HBC, as long as it continued to sell and be profitable.